

Message Text

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PAGE 01 EC BRU 01015 301924Z

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

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TO SECSTATE WASHDC 417

INFO ALL EC CAPITALS 1611

AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

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E.O. 11652: N/A

TAGS: PFOR, ETRD, EEC, EG

SUBJECT: EC MEDITERRANEAN POLICY: EGYPTIAN NEGOTIATIONS OPEN

REF: (A) EC BRUSSELS 620, (B) 75 EC BRUSSELS 11051, (C) EC BRUSSELS 3

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(NOTAL)

1. BEGIN SUMMARY: NEGOTIATIONS TO REPLACE THE EXISTING (1973) PREFER-
ENTIAL TRADE AGREEMENT BETWEEN THE EC AND EGYPT OPENED IN BRUSSELS
JANUARY 28. THE EC PRESENTED ITS OFFER CONTAINING NON-RECIPROCAL TRAD
E
CONCESSIONS TOGETHER WITH PROVISIONS COVERING ECONOMIC COOPERATION AN
D
NON-DISCRIMINATION SIMILAR TO THOSE AGREED TO IN THE EC/MAGHREB ACCOR
DS.
THE EGYPTIAN SIDE RESPONDED THAT THE PROPOSAL SHOULD BE IMPROVED TO
INCLUDE BETTER AGRICULTURAL CONCESSIONS AND A FINANCIAL PROTOCOL. BOT
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PAGE 02 EC BRU 01015 301924Z

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SIDES WILL NOW REPORT TO THEIR AUTHORITIES, AND THE COMMISSION EXPECT
S
TO RAISE THE EGYPTIAN REQUESTS WITH THE COUNCIL BEFORE THE END OF
FEBRUARY. SIGNATURE OF AN AGREEMENT WITH EGYPT IS EXPECTED BEFORE THE
AUGUST RECESS. END SUMMARY.

2. THE FIRST ROUND OF EC/MASHRAQ NEGOTIATIONS UNDER THE
AEGIS OF THE EC'S "GLOBAL" MEDITERRANEAN POLICY TOOK PLACE
IN BRUSSELS ON JANUARY 28 AND 29. THE ONE AND A HALF
DAYS OF TALKS BETWEEN THE EC COMMISSION AND EGYPTIAN
NEGOTIATORS FOCUSED ON THE EC'S PRESENTATION OF ITS
MANDATE FOR A NEW AGREEMENT. BASED LARGELY ON THE MAGHREB-
STYLE AGREEMENTS, THE EC IS OFFERING EGYPT (AND THE OTHER
MASHRAQ COUNTRIES -- JORDAN, SYRIA AND LEBANON) A
PREFERENTIAL TRADE REGIME FOR INDUSTRIAL AND AGRICULTURAL
EXPORTS TO THE EC. LIKE THE MAGHREB, THERE WILL BE NO
IMMEDIATE REVERSE PREFERENCES FOR EC EXPORTS, BUT THERE
WOULD REMAIN THE LONG-TERM AIM OF AN EVENTUAL FREE-TRADE
AREA.

3. INDUSTRIAL PRODUCTS: UNDER THE EC'S MANDATE EGYPTIAN
INDUSTRIAL EXPORTS TO THE EC WOULD ENTER DUTY FREE. CEILINGS
WILL APPLY TO CERTAIN ITEMS, HOWEVER, INCLUDING REFINED
PETROLEUM PRODUCTS (THE EC OFFER IS 450,000 TONS P.A.; EGYPT
WANTS 800,000) COTTON AND PROCESSED PHOSPHATES. THESE
CEILINGS WOULD CONTAIN A 5 PERCENT GROWTH FACTOR, AND WOULD
BE ABOLISHED ON DECEMBER 31, 1979. THE PETROLEUM PRODUCTS
PROVISION ALSO CONTAINS A CLAUSE IN WHICH THE EC WOULD AGREE
NOT TO REINTRODUCE CUSTOMS DUTIES FOR IMPORTS IN EXCESS OF
THE CEILING PROVIDED EGYPT DOES NOT REDUCE POSSIBLE CRUDE
OIL SUPPLIES TO THE EC. RULES OF ORIGIN FOR INDUSTRIAL
PRODUCTS WILL BE SIMILAR TO THOSE LAID DOWN FOR THE OTHER
MEDITERRANEAN COUNTRIES.

4. AGRICULTURAL PRODUCTS: THE EC IS OFFERING A VARIETY OF
AGRICULTURAL CONCESSIONS WHICH WILL PROVIDE PREFERENTIAL
ACCESS FOR FRESH CITRUS (CXT REDUCTIONS OF 60 PERCENT FOR
ORANGES, 40 PERCENT FOR LEMONS AND 80 PERCENT FOR GRAPEFRUIT),
TABLE GRAPES (60 PERCENT), RICE (25 PERCENT REDUCTION IN
THE LEVY), AS WELL AS CERTAIN PROCESSED FRUITS AND
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PAGE 03 EC BRU 01015 301924Z

VEGETABLES, NEW POTATOES, TOMATOES, ETC. THE EGYPTIANS
WERE DISAPPOINTED BY THIS FIRST OFFER AND WILL SPECIFY THEIR
PROBLEMS TO THE EC SIDE IN WRITING. WE UNDERSTAND THAT
AMONG OTHER THINGS THEY WANT MAGHREB TREATMENT ON CITRUS
(I.E., 80 PERCENT).

5. OTHER ASPECTS: THE EC OFFER ALSO INCLUDES A NON-DISCRIMINATION
CLAUSE (ARAB BOYCOTT) USING THE MAGHREB FORMULA (SEE REF C)

AND A SERIES OF PROPOSALS COVERING ECONOMIC AND TECHNICAL COOPERATION ALONG THE LINES OF THE MAGHREB AGREEMENTS, INCLUDING A JOINT COOPERATION BODY TO IMPLEMENT THE ACCORD. THE EC OFFER DOES NOT RPT NOT CONTAIN ANY PROVISION FOR FINANCIAL COOPERATION, HOWEVER, AND IT WAS THIS KEY POINT ATH THE EGYPTIANS SEIZED ON IN THEIR RESPONSE TO THE COMMISSION PRESENTATION. IT WILL BE RECALLED (REF B) THAT THE EC COUNCIL HAS "NOT EXCLUDED" THE POSSIBILITY OF FINANCIAL AID UNDER THE MASHRAQ AGREEMENTS, BUT SERIOUS QUESTIONS REMAIN AMONG THE MEMBER STATES ON THIS SUBJECT. THE PROBLEMS CENTER ON (A) THE IMPLICATIONS FOR THE EC/ISRAEL AGREEMENT (FRANCE) AND (B) THE CONCERN OVER WHETHER THE COMMUNITY HAS THE AVAILABLE RESOURCES (UK, GERMANY). LASTLY, THE CURRENT EC OFFER DOES NOT COVER MANPOWER POLICY.

6. CONTACTS IN THE COMMISSION AND THE UK PERMDEL ARE REASONABLY OPTIMISTIC THAT STEADY PROGRESS CAN BE MADE IN THE MASHRAQ TALKS AND ARE ENCOURAGED BY THIS OPENING ROUND WITH EGYPT. ACCORDING TO OUR SOURCES THE EGYPTIANS ARE TO SUBMIT A MORE DETAILED CRITIQUE OF THE EC OFFER IN WRITING ASAP. THE COMMISSION INTENDS TO REPORT TO THE COUNCIL ON THE RESULTS OF THIS FIRST ROUND BEFORE THE END OF FEBRUARY, AND THE COUNCIL WILL CONSIDER WHAT ADDITIONAL OFFERS CAN BE MADE IN AGRICULTURE AND ON THE FINANCIAL COOPERATION CHAPTER.

7. OPENING ROUNDS WITH JORDAN AND SYRIA ARE SET FOR FEBRUARY 2-3 AND 4-5, RESPECTIVELY. DISCUSSIONS WITH LEBANON WILL WAIT UNTIL THE POLITICAL SITUATION THERE CLARIFIES. MORRIS

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